48 HOURS WITH THE KING OF COLD CALLS

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# CONTENTS

## FEATURES

**50** CEO'S RESOURCE: MENTORS
**Words from the Wise** BY JOSHUA HYATT
Most founders say that their businesses would never have been started had they taken anyone's advice. Joel Benard-Cutler and David Fialkow—who've turned mentors into a competitive advantage—wouldn't have started theirs without it

**66** THE INC. 1991 METRO REPORT
**Where the Growth Is** BY JOHN CASE
If you know which signs to follow, you'll find thriving markets all over America

**82** ANATOMY OF A START-UP
**Inventions "Я" Us** BY ANNE MURPHY
With little money, no retail experience, and one store in a mall in Irving, Tex., Zane Causey and Bob Clark are trying everything they can think of to create a market for overlooked new products

**94** GOOD FORM
**The Mystery-Shopper Questionnaire** BY LESLIE BROKAW
How Au Bon Pain boosts customer service by rewarding employees who keep on their toes

**100** **48 Hours with the King of Cold Calls** BY JAY FINEGAN
The marketing sophisticates say cold calling is dead—that it's too expensive, too untargeted, and too ineffective to pay off. Chuck Piola, 15,000 cold calls and one fast-growing company later, disagrees

## HANDS ON

**121** **Sales and Marketing** EDITED BY TOM RICHMAN
Low-cost market research • Telemarketing tips • Maintaining market share

**127** **Banking and Capital** EDITED BY BRUCE G. POSNER
How to find seed capital • Speeding up receivables • Finding a new bank

**133** **Managing People** EDITED BY ELLYN E. SPRAGINS
Hiring professional temps • Free skills tests • Family-business forums

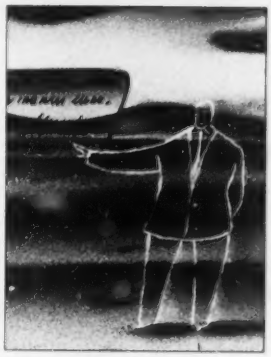
**139** **Financial Strategies** EDITED BY JILL ANDRESKY FRASER
Taking control of T&E • Prepackaged bankruptcies • The rewards of 401(k)s

**143** **In the Office** EDITED BY ROBERT A. MAMIS
Office-supply best buys • Recessionary budgeting • Moving electronic offices

**147** **The *Inc.* Network**

## DEPARTMENTS

**13** **FYI**
**16** **Letters**
**22** **New Businesses**
**24** **Hotline**
**160** **The American Dream: Business for Sale**



**50 Mentors**
How to benefit from the advice of seasoned experts

**100 Cold Calling**
Lessons from a master

**143 Susan Bowen**
Keeping the lid on office expenses

COVER PHOTOGRAPHS (L-R): Bob Thomason/TSW; Mathew Neal McVay/TSW; Roger Ball/Picturesque; Mitch Kezar/TSW

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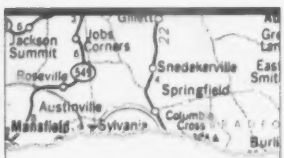
# Where the GROWTH Is

Page 78
EDITORS' CHOICE
*The best cities for growing businesses in every region of the country*




**If you know which signs to follow, you'll find thriving markets all over America**

■

**BY JOHN CASE**

WHAT A DIFFERENCE A PLACE MAKES.

Boston's theme song these days could be "Brother, Can You Spare a Dime?" In a grim reprise of its mid-1970s blues, the city has lost tens of thousands of jobs, its unemployment rate nosing toward double digits. Residents of Charlotte, N.C., by contrast, are whistling while they work. Sure, there's a recession on—meaning that Charlotte's jobless rate has crept up to a still-tight 4%. Between 1988 and 1990 the Charlotte area gained 26,000 new jobs.

Disparities of such magnitude spill into every corner of the business world, affecting the health of existing companies and the life prospects of new ones. A stark symbol of the difference: Blackstone Bank & Trust Co., a four-year-old Boston start-up designed as a high-service community bank, recently went belly-up, its deposits transferred to a larger competitor. Charlotte's not-quite-two-year-old Bank of Mecklenburg, founded on much the same concept, has grown to $52 million in assets; cofounder John Ketner is predicting a profitable 1991, based mainly on loans to small and midsize companies. Quick: which city would you rather be doing business in?

The United States has always been a collection of local and regional markets rather than one big one, and business conditions have always varied from place to place. "People talk about regional recessions as if they're unusual," says Stanley Duobinis, senior vice-president with The WEFA Group, an economics consulting firm in Bala Cynwyd, Pa. "But you can go back to 1946 and you won't find one that doesn't vary from region to region." Today's fax-and-computer communications networks may only intensify the disparities between the haves and the have-nots. Red Rose Graphics Ltd., of Lancaster, Pa., for example, is opening its second branch office in fast-growing Florida rather than in slower-growing areas closer to home, in part because work in process can easily be sent back and forth electronically.

Certainly the current recession has been drastically tilted toward the Northeast. "New England alone will account for one out of every five job losses nationally," predicts Beth Burnham Mace, an economist with DRI/McGraw-Hill Inc., the economic-forecasting and consulting firm. "Yet the region has only 6% of the nation's jobs." While the Boston-to-Washington megalopolis staggers, plenty of cities are growing apace—and not just in Florida and California. Seattle gained 23,000 jobs between 1988 and 1990, Dallas 66,000, with only modest letups in more recent months. Even the Midwest has held its own, with regional capitals such as Indianapolis and the Twin Cities pausing only slightly from the rapid recovery of the late 1980s. "Indianapolis must have one of the strongest economies in America," brags Scott L. Toussaint, whose temporary-help business is enjoying its best year ever. "If I weren't already in this city, I'd run, not walk, here."

Growth-minded entrepreneurs are always tempted to run to where business is best, whether it's to start a new company or expand an existing one. Before you do any running of your own, however, remember



MAPS: COPYRIGHT © 1991 BY H.M. GOUSHA, A DIVISION OF SIMON & SCHUSTER

*Dallas*

that the nation's metro areas are as volatile as they are different. Not so long ago the New York City area was poised for several years of growth, while Dallas—though few knew it—was on the edge of collapse. Today Dallas is sailing out of the economic doldrums, and New York is sinking into them. But how long will either city continue on its current course? And how long will Charlotte or Indianapolis or Seattle stay on the fast track? As mavens of any marketplace know, the past is seldom an adequate guide to the future—particularly when there's a recession on.

Faced with such uncertainty, *Inc.* this year is forgoing its customary top-to-bottom ranking of metro areas. Instead, we've assembled a variety of data indicating not only which cities are growing, but why, and which can expect to do best in the future. One result of this investigation: a list of top performers no businessperson can afford to ignore. (See "Editors' Choice," page 78.) These are cities—two in every region of the country—that are outpacing their neighbors during the current slowdown and are best poised to take advantage of the recovery when it comes. If awards were handed out for solid, long-term growth, these are the cities that would win the ribbons.

But you don't need to live in a best-of-show region to understand the importance of your city's health to your company's health. What you need to know is what separates the winners from the losers.

## PEOPLE

A growing economy requires a growing population. That's a truism, but it's been given a twist by the demographics of America in the 1990s. In the past workers went where the jobs were, leaving Mississippi or Appalachia for Chicago and Detroit. In today's labor-short economy, argues MIT researcher David L. Birch, jobs have to follow workers.

"The demographics cut in sharply in the mid-1980s," Birch explains. "That's when the baby boom was finally absorbed into the labor force and we began seeing unemployment rates down around 3% and 4%. Today the work force can dictate the location of employment." Economic growth is thus beginning to follow population movements, rather than vice versa. "The places that are doing well are the places people want to be."

That, says Birch, is why Sun Belt cities such as Las Vegas and Fort Myers, Fla., perennially top the population-growth charts. Forget jobs: people move away from the high costs and cold of the North to places that look cheaper and more pleasant, and feel confident they'll find work once they get there. Businesses then spring up to serve them; others spot an abundant supply of labor and move in. Even in Florida, the influx of residents no longer consists mainly of retirees. The working-age population in Fort Myers and Fort Pierce, for example, has been growing at more than four times the national rate.

Birch's argument also explains why "edge cities" such as Riverside, in the so-called Inland Empire just east of Los Angeles, have been thriving. "People came in because of the lower costs here," says André Richards of the Riverside County Economic Development Agency. "As the population boomed businesses began noticing this newly forming market and began moving in themselves." A similar phenomenon is visible in the otherwise sluggish Northeast. Though New York City itself isn't growing much, the city's northern New Jersey suburbs are bursting at the seams. And the healthiest outlying cities are those such as Lancaster, Pa., where a low-cost, high-quality style of life attracts and holds a steady stream of new residents. Moral: the place to start or expand a business these days is where the people are.

Marketers, take note: in general, population growth translates into growth in a metro area's total earnings, which is a pretty good proxy for what a region's residents have to spend. Rank U.S. cities by earnings growth, and leading the list will be many of the same Florida and California cities that

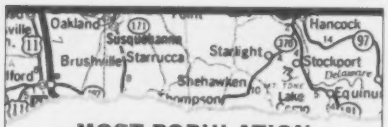


PHOTOGRAPH: MARK SEGAL/TSW

top the population rankings. In city-to-city comparisons, places with growing populations outpace their neighbors economically. Metro Cleveland lost residents between 1988 and 1990, and its earnings grew only a little. The Twin Cities in Minnesota gained people—and the area's earnings grew five times as much as Cleveland's.

### MUSCULAR ECONOMIES

Though an expanding population fuels local markets, population growth alone is no protection against collapse—ask the thousands who flocked




**MOST POPULATION GROWTH**
**1988 TO 1990**

| | |
|---|---|
| RIVERSIDE/ SAN BERNARDINO, CALIF. | 10.9% |
| LAS VEGAS, NEV. | 10.9% |
| NAPLES, FLA. | 9.6% |
| FORT PIERCE, FLA. | 8.7% |
| FORT MYERS/CAPE CORAL, FLA. | 8.5% |

**MOST PERSONAL-EARNINGS GROWTH**
**1988 TO 1990**

| | |
|---|---|
| FORT PIERCE, FLA. | 11.2% |
| WEST PALM BEACH/ BOCA RATON, FLA. | 11.1% |
| ANAHEIM/SANTA ANA, CALIF. | 11.1% |
| FORT LAUDERDALE/ HOLLYWOOD, FLA. | 10.0% |
| SANTA ROSA/PETALUMA, CALIF. | 9.9% |

to Houston in the early 1980s, just in time to watch the region's oil-based economy crumble. So how do you separate flash-in-the-pan booms from solidly based growth? Experts point to three characteristics of a truly muscular metro economy:

*It's more than just an overheated real estate sector.* In some of the nation's fastest-growing regions, growth itself is the major industry; the hottest companies are in real estate development, construction, and finance. But "construction is a weird sector," points out WEFA's Duobinis. "To have growth, you can't just be adding new buildings; you have to add more new buildings than before." When the pace of expansion slows, construction workers are suddenly out of work, property values plummet, and credit dries up.

That is a clear and present danger for places like the Vallejo/Fairfield region just north of San Francisco, where construction employment grew by 14% between 1988 and 1990. But real estate overheating has plagued cities from New Hampshire to New Mexico. In Minneapolis, says Norwest Corp. economist Larry Wipf, an otherwise healthy economy is haunted by the specter of four big office towers now under construction. "We'll end up with a glut of space we'll have to work through," says Wipf with a sigh. "Construction employment will dip, and that will retard the recovery as we come out of the recession."

*It trades—in part—on a specialty.* Big cities, like big companies, used to think of themselves as conglomerates, each metro business world a microcosm of the national economy. No more. The most prosperous areas are those that specialize in at least one industry, which they then "export" to the surrounding region, nation, or world. Examples? Think of San Jose's technology, Los Angeles's movies, Orlando's Disney-based tourism. Charlotte may be a second-tier city, but it is a top-level banking center, the fourth largest (by bank assets) in the nation. A key specialty for some cities these days is internationally traded goods and services. Most economists figure that export growth will fuel the recovery, which in turn will boost anyone who's doing business overseas.

*Yet it's diversified enough to weather a downturn.* The one blot on Seattle's robust growth of recent years is the area's dependence on The Boeing Co.: the city fell with Boeing two decades ago and rose with it in the '80s. Today the company still has a huge backlog of orders, from both U.S. and foreign customers. But turbulence in the airline industry could affect Boeing's order book, and the reverberations would shake the region. "Everyone watches to see what happens with Boeing," says Phil LeDuc, vice-president of $1.6-million LeDuc Packaging Enterprises Inc.

Other cities, by contrast, are less dependent on their key industries, let alone on any one company. Los Angeles has become a growing manufactur-

**MOST JOB GROWTH**
**1988 TO 1990**

| | |
|---|---|
| FORT PIERCE, FLA. | 10.7% |
| WEST PALM BEACH/ BOCA RATON, FLA. | 10.4% |
| ANAHEIM/SANTA ANA, CALIF. | 9.8% |
| FORT LAUDERDALE/ HOLLYWOOD, FLA. | 9.1% |
| SANTA ROSA/PETALUMA, CALIF. | 8.5% |
| OXNARD/ VENTURA, CALIF. | 8.0% |
| LAS VEGAS, NEV. | 7.8% |
| OCALA, FLA. | 7.6% |
| MIDDLESEX/SOMERSET/ HUNTERDON, N.J. | 7.6% |
| SANTA CRUZ, CALIF. | 7.4% |

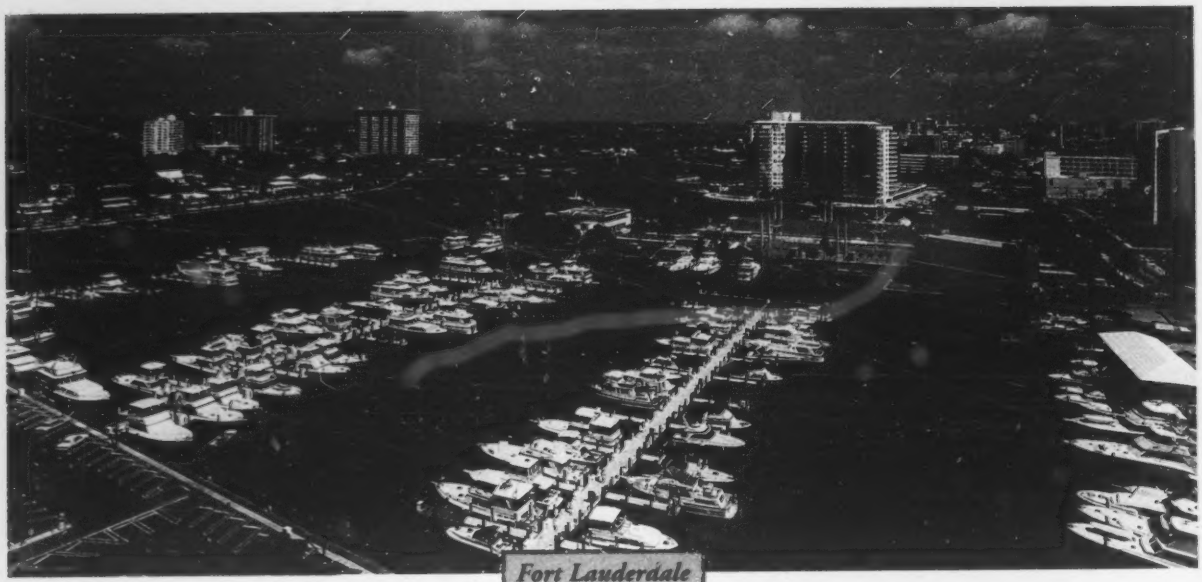
**MOST RETAIL SALES GROWTH**
**1988 TO 1990**

| | |
|---|---|
| FORT LAUDERDALE/ HOLLYWOOD, FLA. | 18.2% |
| ANAHEIM/SANTA ANA, CALIF. | 17.9% |
| SANTA ROSA/PETALUMA, CALIF. | 16.6% |
| ORLANDO, FLA. | 16.4% |
| SANTA CRUZ, CALIF. | 16.1% |
| ATLANTIC CITY, N.J. | 16.0% |
| WEST PALM BEACH/ BOCA RATON, FLA. | 15.6% |
| SAN JOSE, CALIF. | 15.0% |
| OXNARD/ VENTURA, CALIF. | 14.0% |
| BURLINGTON, VT. | 13.9% |

ing and financial center as well as the world's entertainment capital. Indianapolis boasts a thriving insurance business as well as plenty of industrial employers. And who could fault the flourishing economy of Lancaster, Pa., which has done well across a lot of boards? Lancaster's metro area may be small, but it's a regional leader in agriculture, manufacturing, and—thanks to the Amish—tourism. "We're on the tail end of recessions generally because we're so diversified," says Sam Lombardo, chief executive of a $5.5-million insurance agency in the city. "And when the recovery comes to the rest of the country, I think Lancaster will begin to spread its wings."

### NEW BUSINESS

The one growth factor no metro area can ignore is new and growing business. "One of the things we've noticed is the number of small and medium-sized manufacturing companies that have expanded their operations and created jobs here," says an appreciative



Fort Lauderdale

Timothy Monger, president of the Indianapolis Economic Development Corp., pointing out that large manufacturers have generally been downsizing. Among the upstarts: 11-year-old Pure Corp., a manufacturer of industrial cleaners, which so far has barely noticed the recession. "We've experienced annual growth rates of about 20%," says CEO Ted Schenberg, "and we expect another 15% gain in 1991. Things look pretty bright in Indianapolis."

Writ large, entrepreneurial bullishness of this sort translates into the creation of whole new industries, which in turn lay the groundwork for future metro specialties. Orlando has spawned a budding film- and video-production industry, swelling from $2.5 million worth of activity in 1986 to more than $82 million last year. The Seattle area (Microsoft, Aldus) and Salt Lake City area (WordPerfect, Novell) have developed booming software industries. Burlington, Vt.—thanks to an enabling state law—has recently become home to some 215 "captive" insurance companies, self-insuring subsidiaries of large corporations or trade associations. The effect on entrepreneurship: most of the captives have hired newly formed management companies to handle their paperwork.

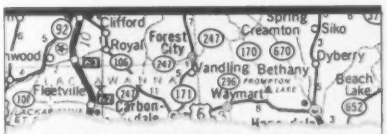
As a statistical matter, new-business creation follows population movements, which is why most of the "business starts" leaders on the accompanying charts are also growing in population. But every now and then entrepreneurship sprouts in some unexpected places, giving a boost to a metro area that would otherwise be unremarkable. Greater Philadelphia probably houses more biotech start-ups than any other place east of San Francisco Bay. Akron has christened itself Polymer Valley and has spawned dozens of new, growing plastics-related enterprises.

Then there's the unlikely case of the Utica-Rome metro area in central New York State. Like the rest of its region, Utica has seen grim times in recent years; factories have been closing, people leaving. The city's earnings growth between 1988 and 1990 was less than half the national average. But staying behind, explains one resident, are "hard-core Uticans," who have created a healthy number of high-growth businesses. Among them, Conmed Corp., a producer of medical devices and disposable products, is up to an estimated $35 million in sales this year, from less than $20 million two years ago.

### A TALE OF TWO CITIES

All those factors play off one another, of course, creating virtuous (or vicious) cycles of growth (or decline). Take the examples of Boston and Charlotte, which illustrate the dynamics of boom and bust in today's economy.

For Boston, the Massachusetts Miracle came to an abrupt end: after years of expansion the region suddenly found itself an economic basket case. What happened? "A whole bunch of cycles came together at once," says Stanley Duobinis, "and they were all




**MOST BUSINESS STARTS**
**1988 TO 1990**

| | |
|---|---|
| LAS VEGAS, NEV. | 1.7% |
| ORLANDO, FLA. | 1.4% |
| CHARLOTTE, N.C. | 1.3% |
| ATLANTA, GA. | 1.2% |
| HICKORY, N.C. | 1.2% |
| CHARLESTON, S.C. | 1.2% |
| NASHVILLE, TENN. | 1.2% |
| EL PASO, TEX. | 1.2% |
| RIVERSIDE/ SAN BERNARDINO, CALIF. | 1.1% |
| GREENVILLE/SPARTANBURG, S.C. | 1.1% |

**MOST HIGH-GROWTH COMPANIES**
**1988 TO 1990**

| | |
|---|---|
| SAN JOSE, CALIF. | 8.1% |
| UTICA/ROME, N.Y. | 7.1% |
| WASHINGTON, D.C. | 6.9% |
| HICKORY, N.C. | 6.7% |
| TERRE HAUTE/ BLOOMINGTON, IND. | 6.6% |
| LANCASTER, PA. | 6.5% |
| WILLIAMSPORT/ STATE COLLEGE, PA. | 6.4% |
| BURLINGTON, VT. | 6.4% |
| RENO, NEV. | 6.4% |
| TALLAHASSEE, FLA. | 6.3% |



PHOTOGRAPH: J. MESSERSCHMIDT/TSW

*Seattle*

negative." Housing and commercial real estate were overbuilt. When the market turned, banks from tiny Blackstone to giant Bank of New England found themselves insolvent. Meanwhile, defense spending was shrinking and the minicomputer industry, headquartered in eastern Massachusetts, was in the tank. The result: rising unemployment, shrinking credit, and a state-government fiscal crisis, all feeding an increasingly sour outlook on the part of consumers and businesspeople. Between 1988 and early 1991, The Conference Board's widely watched consumer-confidence index for New England fell more than 75%.

Charlotte's story in recent years was different in every particular. For decades the city was a sleepy financial and commercial center for the cotton and textile industries, serving the Piedmont region and not much more. As the Southeast grew, however, Charlotte was well situated to cash in. Its biggest banks, solidly based in cotton and textiles—and already operating statewide—began moving into other parts of the region. National manufacturers and wholesalers began locating warehouse and distribution facilities around the city, taking advantage of its strategic location on I-77 and I-85. Today Charlotte is number four nationally in banking (as measured by assets) and number six in wholesaling. The population of surrounding Mecklenburg County grew by nearly 12% between 1985 and 1990, with employment up 22%.

The result of all that development: a cascade of economic benefits, each one feeding the other. Earnings up 5% and retail sales up 10% in the last two years, both figures well above the national average. More foreign companies locating in the region, thanks in part to a fast-growing international airport. And yes, the region's economy is increasingly diversified. Despite Charlotte's specialization in banking and distribution, manufacturing employment has increased nearly 10% since 1985. The city is also emerging as a major regional health-care center.

Maybe not surprisingly, Charlotte has become a great place to start a company, ranking third nationally in the number of start-ups and 11th in proportion of fast-growing businesses. Ten-year-old Broadway & Seymour, a $37-million software developer that counts banks among its major clients, has been growing by more than 30% a year. John Ketner's new Bank of Mecklenburg has crept into a local-banking niche vacated by ever-expanding giants such as First Union National Bank and NCNB National Bank. Power-plant operator Cogentrix Inc., twice the top-ranked company on *Inc.*'s annual listing of the 500 fastest-growing private businesses in America, is based in Charlotte. One factor in capital-hungry Cogentrix's early growth was the fancy financial resources it could find close to home. "We'd call investment bankers in New York, and they wouldn't even return our calls," says project manager Robin Spinks with a laugh. "Our banking relationship with NCNB was very important to us in our early days."

And what of the future? One big strike against Boston, say economists, was the high rents and wage rates generated during its boom years. And one big attraction of Charlotte has been its relatively low costs. In time—but probably not for several years—those factors will tend to equalize. Ultimately, each city will have to trade on its long-term assets: Boston on its research universities and highly educated work force, Charlotte on its sunny climate and strategic location. What's likely to make the difference is how many people choose to build businesses in either city.

At the moment, the odds favor Charlotte. But metro areas have given us more than a few surprises over the years, as policymakers and businesspeople have learned to invent or take advantage of new strengths. The top performers on the following pages weren't always the best cities for business, and they may not be so forever.

Still, right now, they're the places to be. ❑

*(METRO REPORT continued on page 78)*



PHOTOGRAPH: CLIFF HOLLENBECK/TSW

# Editors' CHOICE

## America's best cities for growing a business

### NORTHEAST

**BLUE RIBBON: BURLINGTON, VT.**

*Escaping New England's gloom*

■

**SCORECARD (1988 TO 1990)**

Population growth: 3.1%
New jobs: 5,300
New companies: 35
High-growth companies: 43

Burlington's recession has been kinder and gentler than the rest of New England's. The difference? The city is home to stable employers such as IBM; its breathtaking Lake Champlain location ensures a steady stream of well-educated newcomers; and its proximity to Montreal attracts Quebec companies seeking a U.S. foothold. A second factor: astute public policies. Vermont's strict development laws, for example, shielded the area's banks from a real estate boom and bust. "The isolation doesn't hurt us," says Holographics North founder John Perry. "We're only five minutes from the airport. Heck, everybody's only five minutes from the airport."

**RUNNER-UP: LANCASTER, PA.**

Lancaster's biggest employers are an interior-furnishings manufacturer, a printer, a hospital, and a farm-equipment maker. Such variety, says finance professor Gary Leinberger, has spared the city the fate of its less diversified neighbors. The prototypical Lancaster entrepreneur: S. Dale High, whose family-owned High Industries Inc. has expanded from steel fabrication and concrete production into real estate, hotels, food services, and compact-disc manufacturing.

### SOUTHEAST

**BLUE RIBBON: ORLANDO, FLA.**

*Oranges and tourists? No longer*

■

**SCORECARD (1988 TO 1990)**

Population growth: 7.6%
New jobs: 40,800
New companies: 276
High-growth companies: 223

Talk about your big, stable industries: Orlando is home to Walt Disney World, Universal Studios Florida, and dozens of other theme parks and attractions; it boasts the most hotel rooms of any U.S. city. Even so, business travelers at Orlando International Airport now outnumber tourists 56 to 44. Growing manufacturers such as Florida Polymers have sprung up (or moved in) to take advantage of the city's expanding work force. Distributors and wholesalers that once operated out of Atlanta have set up facilities in Orlando, at the center of what's now the fourth-most-populous state. New industries include film production, military simulation and training, and laser-optic technologies.

▲

**RUNNER-UP: CHARLOTTE, N.C.**

Last year alone 413 companies started in or expanded or relocated to Charlotte, investing $266 million and creating 6,800 new jobs. One effect of the recession: Charlotte companies aren't placing quite so many help-wanted ads in West Virginia newspapers.

### MIDWEST

▲

**BLUE RIBBON: INDIANAPOLIS**

*Middle America's best-kept secret*

■

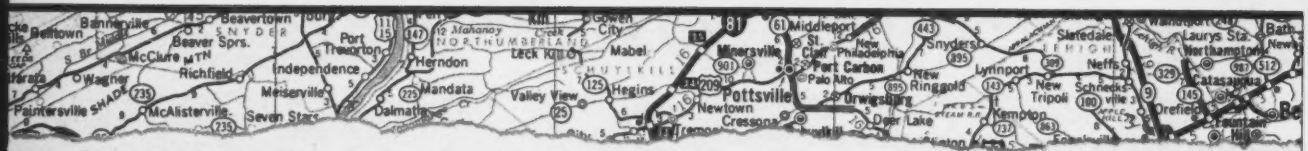
**SCORECARD (1988 TO 1990)**

Population growth: 1.6%
New jobs: 12,800
New companies: 239
High-growth companies: 181

The old jokes told of "Naptown" and "India-no-place." Just don't laugh too hard. For while Rustbelt neighbors have scrambled to stave off hard times, Indianapolis has sailed into the '90s with a well-diversified economy. Traditional smokestack employers have



PHOTOGRAPHS: (TOP) ROGER BALL/PICTURESQUE; (BOTTOM) CATHLYN MELLOAN/TSW




been supplemented by buttoned-down newcomers such as discount broker Charles Schwab, which recently sited a branch there. Certainly the local marketplace has been good to Technical Resource Group, an executive-search firm that's grown to $2 million in just five years. "It's because of the industries we trade in—engineering, health services, insurance," says president Roger Brummett. "We've really been insulated from the effects of the recession."

### RUNNER-UP: MINNEAPOLIS/ST. PAUL

Factor out an overheated construction industry and you'll still find the Twin Cities spawning small-company growth. One happy company owner: McRae Anderson, head of a $1-million interior landscape design and maintenance business in St. Paul. "Our sales were up last year," says Anderson. "They will be this year, too."

## SOUTHWEST

### BLUE RIBBON: DALLAS/FORT WORTH

*On the way back*

■

**SCORECARD (1988 TO 1990)**

Population growth: 4.2%
New jobs: 66,400
New companies: 883
High-growth companies: 686

Five years ago, says University of Texas professor Donald Hicks, the Dallas/Fort Worth "metroplex" was in "free fall." But rents and land prices in the area got so low that—surprise!—businesses began to move in. Last year Dallas ranked first nationally in the number of new or expanded corporate facilities. And the hard years of the recent past have left companies of all sizes in fighting trim. "We had a good year," says Aggie Jordan-DeLaurenti, who runs a $14.5-million technical-training company. "But I've learned to be real careful about expenses." One engine for future development: the area's fast-growing telecommunications industry, number two in the nation, with the 10 biggest companies alone employing more than 50,000 people. Among the up-and-comers is SRX Inc., which recently signed a contract with Motorola to market a newly developed emergency 911 hardware-and-software system. The company's anticipated 1991 sales: about $25 million.

▲

### RUNNER-UP: SALT LAKE CITY

Like Dallas, Salt Lake City went into a slump a few years ago—and now, says William A. Maasberg, CEO of software developer Libra Corp., "we're going to lead the way out. We've got a lot of good, solid new industry here." Much of it is close to Maasberg's professional heart: the area has 450 computer and software-related companies, many started in the last several years.

## WEST COAST

### BLUE RIBBON: SEATTLE

*Everybody's favorite city*

■

**SCORECARD (1988 TO 1990)**

Population growth: 5.0%
New jobs: 22,600
New companies: 414
High-growth companies: 368

Seattle is Miss Popularity among cities. *Places Rated Almanac* ranks it number one. Company CEOs polled by real estate specialists Cushman & Wakefield say it's the best place to locate a business. The city's only problem? Too many people. "It's becoming a victim of its own appeal," reports *The New York Times Magazine.* Problems like that we all should have. "Growth may be slowing, but I don't think we're going to see anything that could be labeled a recession here," says Douglas H. Pedersen, an economist at Security Pacific Bank Washington.

Seattle doesn't rank high for new-company formation; more than some cities, it's dependent on one big employer, Boeing. But entrepreneurs who do put down roots there find the soil fertile. Annie Searle, a Midwest native who moved to Seattle 14 years ago, is now CEO of $1.5-million Delphi Computers & Peripherals. "Frankly, our company's on a growth trajectory that's compounding, not slowing down," says Searle. Let company owners in other regions worry about cautious bankers and credit crunches. "I don't have any problems at all getting money."

### RUNNER-UP: RIVERSIDE, CALIF.

The Inland Empire—50 miles east of downtown Los Angeles—is one of the fastest-growing metro areas in the country, meaning there are plenty of people to staff (and buy from) new companies. Compared with much of Southern California, it's cheap. "We had a lot of employees who couldn't afford more than an apartment," says Darrell Ratliff of Natives Sportswear Inc., a clothing manufacturer that recently moved there from Orange County. "When we relocated here, they could afford to buy their first home."

### *Behind the Numbers*

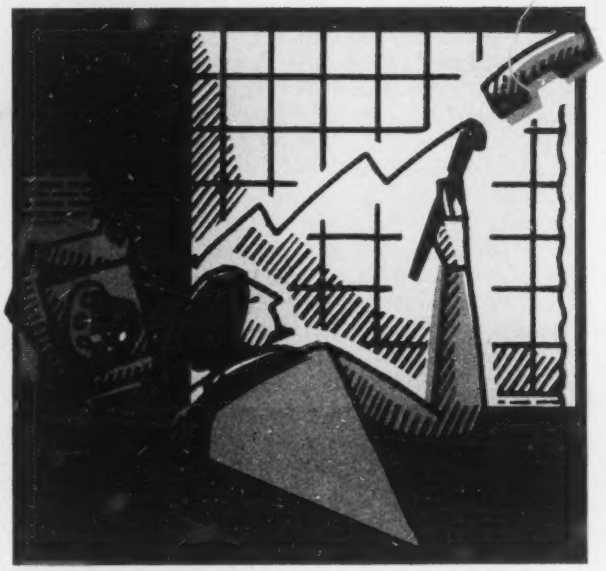
DATA ON POPULATION, EARNINGS, employment, and retail sales were provided by Woods & Poole Economics Inc., in Washington, D.C. Data on business starts and high-growth companies were compiled by Cognetics Inc., in Cambridge, Mass. The business-starts rate is the number of companies with 10 or more employees founded between January 1988 and July 1990, as a percentage of all businesses in the area. High-growth companies are those whose employment growth, in both absolute and percentage terms, exceeds a certain threshold. The percentage figure indicates the number of high-growth companies as a proportion of all young companies in the region.

The data were assembled and edited by Special Projects Editor Sara Baer-Sinnott. Research assistance was provided by Alessandra Bianchi. ❑

PHOTOGRAPH: JOHN ELK/TSW; MAPS: COPYRIGHT © 1991 BY H.M. GOUSHA, A DIVISION OF SIMON & SCHUSTER

# Hands On

## SALES & MARKETING



TELEMARKETING

### *Getting the Most Out of the Phone*

USING THE PHONE TO SELL OR MARKET A PRODUCT or service is relatively cheap to try. Also, it's easy to stop or change a telemarketing program for any reason. So whether you're doing the calling in-house or hiring a service to do it for you, you can afford to experiment. To get the creative juices flowing, here are some ideas from Steve Idelman of Idelman Telemarketing Inc.:

• **Introduce mail with the phone.** You can call people to ask them to watch for material you've mailed—"Look for a white envelope with an orange stripe"—or you can ask their permission to send it. Mailing only to willing recipients saves postage and gives you a better qualified lead.

• **Follow up mail with the phone.** The mail piece itself should include a response vehicle—something to send back or a number to call—so you're not relying on the follow-up telemarketing call alone to induce action. But the follow-up phone call can double your response margin, claims Idelman, and may increase it as much as tenfold.

• **Conduct a market survey.** Use the phone to learn what features or benefits customers value in the product or service you propose to sell. Or you can use the phone to test a price. On the initial call, an $11 price point might bring you more revenue than a $9 one. But if on *(Continued on next page)*

PROMOTING YOUR BUSINESS

### *Low-Cost Ways to Keep Market Share*

IF THE RECESSION HAS left you with more time than money, Ilise Benun and Anne Mascelli, of Creative Marketing & Management, in Hoboken, N.J., suggest you spend it promoting your business Here are three ideas that require no more than imagination and a little pocket change:

• **Donate products or services to industry trade associations or nonprofit groups.** Jacqueline Moore, CEO of Ridgaway Philips, a home nursing company, serves on the development committee of a Multiple Sclerosis Society chapter and recently donated her nurses' time to speak about how to care for MS patients. She has earned exposure for Ridgaway and will soon discuss the possibility of a contract with the society.

• **Exchange leads and information with noncompeting entrepreneurs in your market.** Last year, as Ken Potter, president of Martin's Potato Chips Inc., was designing a new facility, his son, vice-president Ken Potter Jr., visited 60 other chip factories to get ideas.

• **Expand your professional network.** Mike Voisin, general manager of Motivatit Seafoods Inc., in Houma, La., didn't have much clout with government regulators. But since he's become active in some 17 trade associations and industry councils, he's built alliances to help change regulations to benefit Motivatit and other seafood processors. *—Researched by Teri Lammers*

### IN THIS SECTION

**GETTING THE MOST OUT OF THE PHONE**
*Smart telemarketing tactics*

**LOW-COST WAYS TO KEEP MARKET SHARE**
*Ideas to promote your business*

**RESOURCE: MARKET RESEARCH ON THE CHEAP**

**THE PACIFIC RIM ON A SHOESTRING**
*Sell in a foreign territory as if it were another state*

**LEARNING AND MEETING THE CLIENT'S PREFERENCES**
*What do clients want? Ask them*

**Edited by Tom Richman**

ILLUSTRATION: NORMAND COUSINEAU

*(TELEMARKETING, from page 121)*
confirmation half the $11 buyers cancel, compared with 20% of the $9 buyers, then, Idelman says, you can deduce that $9 is probably the better price.

- **Conduct an after-market survey to find out whether you met your customers' expectations.** If you do that during a market test, Idelman says, "you'll get a good indication of what your long-term market success will be."
- **Use the phone to talk to your distribution network.** You can introduce new products over the phone, tell distributors about promotions, or handle routine inventory replacement.
- **Qualify leads for your field sales force.** By asking the right questions telemarketers can help your salespeople save time. But if you're going to have a telemarketing staff and a field sales staff working together, Idelman suggests, you should involve the field salespeople in designing the phone program. *—T. R.*

RESOURCE

## *Market Research on the Cheap*

**New-product research doesn't have to cost a bundle. The Wisconsin Innovation Service Center (WISC), for instance, conducts preliminary market research for a flat fee of $150. WISC taps a cadre of business-school students and some technical consultants to provide clients with a market-feasibility report that includes a competitive analysis and an overall risk rating.**

**WISC generates a report in 30 to 90 days and will consider drawings, videotapes, market-ready prototypes, or rough business plans. The nonprofit center also does ad hoc research.**

**It also sells a 129-page primer, *Marketing Ingenuity & Invention: An Innovation Guidebook*, for $15. Contact WISC at 402 McCutchan Hall, University of Wisconsin-Whitewater, Whitewater, WI 53190; (414) 472-1365.**

***— Susan Greco***

## *Dial 800 for Your Nearest Store*

DIAL 800-4PRECOR AND no matter where you're calling from, your call gets connected to the fitness-equipment manufacturer's local retailer. You used to get an operator in Precor's Bothell, Wash., headquarters, who would direct you to the closest retailer and mail you any material you requested. Retailers, if they wished, could follow up by phoning the callers back. "The difference is that now we're getting prospects the minute they've decided to act," says Rob Jacobs, owner of The Walking Center, in Beverly Hills, Calif., which carries the Precor line. "That's when you want to talk to them."

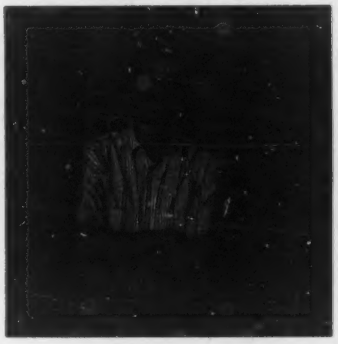
To turn its national 800 number into a local call, $55-million Precor uses InstaLink, a service sold by Applied Telematics Inc. ATI charges clients for each call taken through its InstaLink system; the amount depends on the length of the call. The caller doesn't talk to an operator working from a script but to a local salesperson who knows the product. "The service is really about generating more sales," says ATI's president, Ian Michel. To learn more about ATI's services, call ATI, in Wayne, Pa., at (215) 687-3701. *—T. R.*

SELLING OVERSEAS

## *The Pacific Rim on a Shoestring*

FOR SMALL COMPANIES the prospect of selling overseas can evoke nightmarish images: language problems, mixed signals, misdirected deliveries, customs restrictions, and unexpected tariffs.

But, says Jim Ake, founder of Electronic Liquid Fillers Inc. (ELF), a $12-million packaging-equipment company in LaPorte, Ind., "I basically look at a foreign territory as another state." As the international sales manager, Ake's son Jeff took responsibility for covering that territory. After only two months' preparation, Jeff Ake spent seven weeks making cold calls to 90 potential sales representatives and customers in the Pacific Rim. The trip cost $19,000 and generated $2 million in sales. His strategy can be used as a blueprint by any company that wants to sell overseas but doesn't know where to begin.



*International-sales pro Jeff Ake*

- **Line up leads the old-fashioned way—make cold calls.** Ake obtained many of his leads from foreign-based English-language magazines that cover his industry. He faxed or mailed letters to about 400 prospects, announcing ELF's search for sales reps in the Pacific Rim. The hundred who responded received a second fax or letter announcing Ake's impending visit and requesting detailed descriptions of their businesses. That was enough information for Ake to prioritize his appointments.
- **Keep your schedule flexible.** When Ake left the country, only about a third of his time was booked with appointments. The home office worked as an advance team, using the fax to set up and confirm more appointments for him while he was on the road. In each area, Ake picked up the local English-language equivalent of the yellow pages to find

### *Expanding Market Horizons*

*When you first started, where did you do most of your business?*

Local markets 49%
Statewide or regional markets 31%
National market 20%
International market 5%

*Where are you doing most of your business now?*

National market 44%
Statewide or regional markets 34%
International market 21%
Local markets 16%

*Note: Total is higher than 100% because of multiple answers.*

*Source: An* Inc. *survey of 463 private companies that reported a five-year growth rate of 713% or higher since 1985.*

CHART: ROSS CULBERT LAVERLY & RUSSMAN INC., NEW YORK; PHOTOGRAPH: KEVIN CRUFF

other prospects to fill out his calendar.

• **Package your pitch.** Ake produced two English-language videos—one for customer prospects and one for reps—to pave the way for his visit. He also produced a brochure explaining why ELF was a good company to work with, including specification sheets of products, drawings, and press clippings highlighting ELF.

• **Offer overseas customers the same level of quality and service you offer stateside.** On his Pacific Rim trip, Ake promised a 24-hour response time for price quotes—just as he does in the United States. He altered ELF's 10-day delivery promise only slightly for overseas customers—with a confirmed letter of credit, they can expect delivery in two to four weeks. *—T. L.*

**CUSTOMER SERVICE**

## *Learning and Meeting the Client's Preferences*

WHY IS IT, FORD R. Myers asked himself, that we can deliver jobs of equal quality to two clients, and one thinks we're great while the other never wants to deal with us again?

To try to answer that question, Myers, who heads Ford Myers & Co., a graphic-design firm in Ardmore, Pa., hired an independent research organization to interview prospective clients, current clients, and former clients. Afterward, he concluded that he could better serve his clients by tailoring his company's operating style to their individual expectations. And the easiest way to find out what those expectations were was to ask. He drew up a one-page list of questions that he now asks all potential clients—and continually refines and updates.

Myers's questions run the gamut: they try to ascertain procedural ground rules ("Upon the project's satisfactory completion, will you require a detailed itemization of costs, or will our invoice be adequate to effect payment?"), and they attempt to set priorities ("Which is of paramount importance to you—scheduling and budget considerations, or innovation and creativity?").

Because straightforward questions don't always get straightforward answers, Myers often likes to chat informally with the client. When asked what is more important, maximum quality or staying within budget, many clients will say, "Both," but Myers's probing will reveal a distinct preference for one or the other. "I believe every client has one real primary concern," says Myers, "and I want to find out what it is."

Getting the information for the client-preferences profile takes Myers only about 15 minutes. If Ford Myers & Co. gets the job, Myers has the client-preferences profile typed. He briefs the staff on every new client and staples the typed profile to the job folder so everyone involved can see it and operate accordingly. *—T. R.*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# BANKING & CAPITAL

*J. J. Roberts's aggressive billing requests get results.*

CUSTOMER FINANCING

## *There's No Harm in Asking*

IF THERE EVER WAS A STIGMA IN ASKING customers to bankroll the financial needs of your business, it seems to have faded away in the current financial environment. Today almost everyone understands that bank credit is tight. So if you explain your situation and ask for rapid payment, a lot of customers may be quite willing to comply.

Systronics Inc., for example, a $2.5-million maker of measurement and control systems for manufacturers, asks its customers to pay 40% of the purchase price whenever Systronics receives a purchase order. As soon as the orders are completed and ready for shipment, the Norcross, Ga., company faxes ahead another invoice to its customers, asking for a second payment of 50%. "If we haven't received that payment in 20 days or so, we start hounding them," says chief executive J. J. Roberts. Systronics expects customers to pay the remaining 10% owed on the order upon acceptance of the shipment, or net 30 days.

Roberts says the company encounters little resistance to its aggressive billing requests. Those customers who do complain are told that Systronics would otherwise have to charge more for its products or extend its deliveries by several weeks. "If we didn't do business this way," notes Roberts, "we wouldn't be able to finance our orders at our current prices and margins. We've tried to borrow more money, but no bank has been willing to increase its lending to us."

*—B. G. P.*

DEPOSIT INSURANCE

## *How Much Are You Covered For?*

IT'S WIDELY KNOWN that the Federal Deposit Insurance Corp. insures deposits up to $100,000. But what happens if a company and its owner maintain a variety of accounts at the same bank? To what extent are the assets protected in the event of a problem? We asked David C. Cates, chairman of Ferguson & Co., a Washington, D.C., company that specializes in bank-risk analysis and data publishing. Here are his findings:

• **Corporate accounts.** From the standpoint of the FDIC, Cates says, a company's payroll account and other accounts used for business transactions and short-term investments are viewed as one account. This is true even if they have different account titles. The insurance limit, therefore, is $100,000. If your balance exceeds that level in the course of the day, Cates says, it's prudent to instruct your bank to "sweep" the account down to the $100,000 level—in other words, invest excess funds—at the close of business each day. Even if the account is swept, you still need to be attentive to where the money is being invested.

• **Trust accounts.** The assets of trust accounts aren't seen as deposits. So if a bank fails, Cates says, those assets are generally immune to government seizure. One notable exception: if the assets are held in certificates of deposit of the failed bank, for insurance purposes they are considered deposits. In the case of employee-benefits trusts, insurance would protect the CD investment up to $100,000 per beneficiary, Cates says.

• **Personal accounts.** Under the rules, your personal account is insured up to $100,000, as are the individual accounts of your spouse and your children. If your balances exceed the insured limit and you have concerns about the safety of the bank, it's a good idea to have accounts in more than one institution. *—B. G. P.*

**IN THIS SECTION**

**THERE'S NO HARM IN ASKING**
*When money's tight, ask for up-front payments*

**HOW MUCH ARE YOU COVERED FOR?**
*Are your accounts safe from bank failures?*

**PROTECTING YOUR PERSONAL ASSETS**
*How to insulate yourself*

**FINDING A NEW BANK**
*Get one that understands your business*

**RESOURCES: STALKING SEED CAPITAL**

**Edited by Bruce G. Posner**

PHOTOGRAPH: LYNNE SILER

DEAL STRUCTURES

## *Protecting Your Personal Assets*

IN AN IDEAL WORLD, you probably wouldn't rush to provide personal guarantees on business loans. But these days bankers want all they can get. They want signatures—both yours and your spouse's—along with legal claims on houses and property. So what can business owners do to insulate personal assets in the event of trouble? Jeffrey Kosberg, a Cambridge, Mass., lawyer who specializes in workouts and business insolvency, offers this advice.

• **Don't use the same bank for all your loans.** Although it sounds simpler to deal with one bank for all your personal and business needs, it also poses greater risks. A late payment on one loan could trigger a domino effect, Kosberg warns.

• **If you have private investors, structure their participation as real loans.** Arrange notes or mortgages on property, even if you don't expect to pay those investors back. It's likely the bank will ask for seniority ahead of relatives and friends, Kosberg says, "but at least the notes will be there."

• **File a homestead.** Many states permit you to file a homestead with the registry of deeds, which protects your home equity against subsequent claims up to a statutory limit.

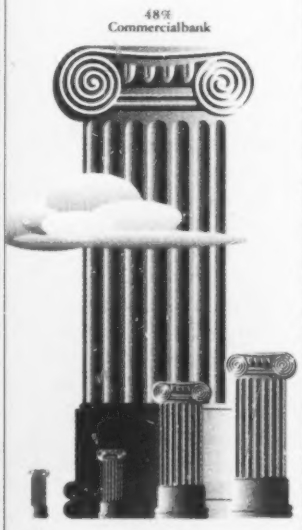
• **The entity that uses the funds should be the one that borrows.** If you can't get a business loan and you end up borrowing personally for funds to use in the company, don't stop there: use the funds as collateral for a business loan. What's more, insist that the business loan be further collateralized by business assets.

• **Make sure the bank has a secured interest in all business assets.** If the bank doesn't have specific claims on the assets and you run into trouble, your other creditors will try to claim them. "That means you'll have less available to pay off the bank loan, which you have personally guaranteed," notes Kosberg.

• **Resist bank attempts to have your spouse cosign.** Without your spouse's signature, the bank will not be able to realize value from a house you and your spouse own jointly. *—B. G. P.*

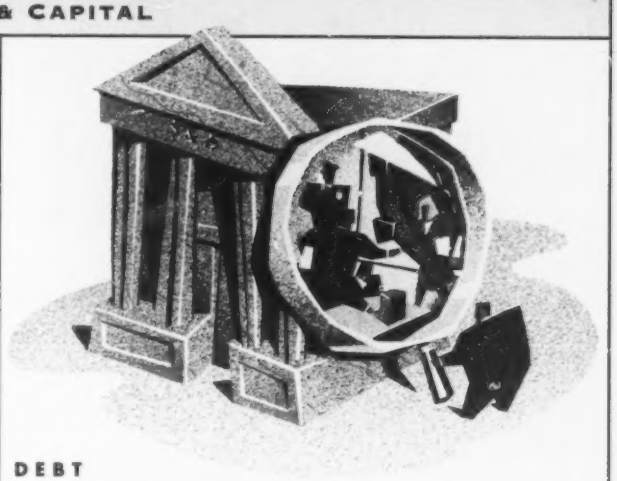
### *Where Small Companies Go for Credit*

*They may have more options today, but most still turn to local commercial lenders.*




* *Includes owners, other individuals or businesses, money-market mutual-fund companies, brokerages, mortgage banks, and insurance companies.*

*Source: "Banking Markets and the Use of Financial Services by Small and Medium-sized Businesses," a survey of 3,405 businesses, including 2,899 companies with fewer than 50 employees. Board of Governors of the Federal Reserve System, Washington, D.C.; 1990.*



DEBT

## *Finding a New Bank*

BANK MARKETING DEPARTMENTS STILL PEDDLE the idea that small-business lending is keeping banks humming. But these days more and more banks are slamming doors on growing companies looking for new loans, even as they put the squeeze on existing borrowers. The chill in lending often has less to do with customers' problems than with those of banks. If your bank is freezing you out, how should you go about finding one that's better able to meet your needs?

**How to find a bank.** Even in tight markets there are usually a few lenders open to new businesses. The best way to find them is to pay attention to the performance of banks in your area and to ask around. "If a bank is earning 1% or more on its assets," offers Steve Cranfill, a principal at Management Advisory Services Inc., in Seattle, "it's probably more aggressive in its lending." Talk to businesspeople, accountants, consultants, and business groups. If you can, get specific names of bank executives and lending officers to contact. Personal introductions can be enormously helpful.

Many people who have gone through the process of looking for a new bank say it can take months, so it's a good idea to initiate contacts even before you're under any pressure.

**What to find out.** Once you've targeted the banks to approach, make a list of the issues you want to explore. Before providing a lot of detail about your own business, try to get a sense of how each bank operates. What's the management philosophy? How is the lending department organized? What level of the bank's hierarchy would you be dealing with, and what would happen should the person you are dealing with leave?

Sooner or later you'll want to probe other areas, too. What does the bank know about your industry? What does it like to see in the way of numbers, ratios, and other information? Also, how does the bank monitor credit? Does it try to work with customers who run into problems, or does it panic?

Don't expect bankers to be totally candid. To get a fuller picture of a bank's lending policies and service, talk to current and former customers, suggests Ed McClelland, a former banker now consulting *(Continued on next page)*

CHART: ROSS CULBERT LAVERLY & RUSSMAN INC., NEW YORK; ILLUSTRATION: MARTY BRAUN

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*(DEBT, from page 129)*
to small businesses in Dallas. Even when you're looking around, be careful not to burn your bridges with your existing bank; you might not find anything better.

**How to make the decision.** In the end what you really want to figure out is which bank can make the strongest commitment to understanding your business and meeting your needs. Who will be the best business partner? Relative costs—the interest rates and fees—should be a factor in your decision, but a more appropriate consideration nowadays should be the financial health and integrity of the bank. "If you really want to make a good decision, take time to get to know the people you'd be dealing with," says McClelland. In the rush to get away from frustrations with one bank, the last thing you want to do is to fall victim to problems at another. *—B. G. P.*

RESOURCES

## *Stalking Seed Capital*

**Looking for money to fund your new business? Don't overlook seed-capital funds, particularly if your idea is technology based. In recent years a number of seed funds have been created by state and local governments eager to generate jobs and growth in their particular areas.**

***The 1989 Survey of State Sponsored Seed Capital Funds*, prepared by the Advanced Technology Development Center, in Atlanta, provides an overview of the seed-capital industry and a list of 50 players and potential players as of 1989. It's available for $21.50 from National Business Incubation Association, 1 President St., Athens, OH 45701.**

**An updated report on seed investing is available from Emory University, in Atlanta. The report will list established funds as well as addresses and phone numbers of several new funds. Send $21.50 to *The 1990 Survey of Seed Capital*, c/o Richard T. Meyer, Emory University Business School, 1602 Mizell Dr., Atlanta, GA 30322.** *—B. G. P.*

# MANAGING PEOPLE

*Peggy Brown taps the temp circuit for reliable workers.*

WORK FORCE

## *The Art of Hiring Professional Temps*

IN THEORY, THE WIDESPREAD AVAILABILITY OF temporary professional workers is a small-business owner's dream come true. You can hire everyone from cost accountants to road-and-tunnel engineers for as long as you need them. When your special project is finished, those temps conveniently disappear. And with professional temps, "there's enough do-it-on-their-own attitude that I can assign a task and not worry about it being done," says Peggy Brown, accounting manager of software publisher Aldus Corp., in Seattle.

**To find out which temp-help companies serve your area or to request a free directory, contact the National Association of Temporary Services, in Alexandria, Va., at (703) 549-6287.**

Consider two main areas in selecting a temp-help company: its basic characteristics and the way it screens its temporaries. Is it really a temporary-help company, or is it an executive-search operation? If it's the latter, your "temporary" worker may not qualify as an independent contractor under Internal Revenue Service rules. A temporary-help company can usually fill a position much more quickly—within hours—than an executive-search company can.

Make sure the company has been in business for a while. A seasoned firm should be able to guarantee an immediate replacement if you're not happy with the professional it sends over. If a temp will be *(Continued on page 135)*

SKILLS TESTING

## *Free Help from Uncle Sam*

TESTING JOB SKILLS CAN be a vexing experience. Sure, experts consider it the best predictor of job performance, but testing programs are pricey. Full-fledged programs in companies with 100 employees can cost from $15,000 to $50,000.

The U.S. Department of Labor can help companies that can't afford such programs. Here's what you do: call one of its 1,700 U.S. Employment Service—or Job Service—offices (usually in the blue pages of the telephone book, under "State Government") and place a job order and request for testing with the office. If the office determines a test is appropriate, and you want it to test and screen the job hunters you've found, you may agree to send to the employment office all those who respond to your ad. After evaluating candidates on the basis of test scores, experience, education, and other factors, the office will notify you of the best candidates. These are the three general areas of testing available:

- **Clerical skills.** This test covers the basics: typing, spelling, and dictation.
- **Literacy skills.** A test designed to measure reading and mathematical abilities.
- **General Aptitude Test Battery (GATB).** This test of nine aptitudes assesses verbal, mathematical, perceptual, and psychomotor abilities. It's also available for nonreaders and in Spanish. The Department of Labor may suspend use of the GATB, however, since it has been charged with being discriminatory against minority groups.

"Tests can be tremendously useful because they work," says John Hinrichs, president of Management Decision Systems, a consulting firm in Darien, Conn. The cost of a bad hire? "About three times the employee's salary," he says.

*—E. E. S.*

## IN THIS SECTION

**THE ART OF HIRING PROFESSIONAL TEMPS**
*How to screen a temp-help company to get the people you need*

**FREE HELP FROM UNCLE SAM**
*Skills-testing programs are free for the asking*

**RESOURCES: FAMILY-BUSINESS FORUMS**

**TURNING INFORMATION INTO PROFITS**
*Want to increase productivity? Give employees more information*

**RAISING THE BAR FOR BONUSES**
*To make bonuses work, make them more objective*

**Edited by Ellyn E. Spragins**

PHOTOGRAPH: KEITH BROFSKY

## *Company Leave Policies*

*Does your sick-leave policy include a "job-guarantee" for managers when they return? Small companies trail large ones in this respect, but in companies with more than 15 employees, the gap quickly narrows. In fact, midsize companies had the best record of all.*

% of Companies That Promise the Same or Comparable Job upon Return from Leave

*Note: Leave time averages from one to two weeks in the smallest companies to three weeks in the largest ones.*

*Source: "Leave Policies in Small Business," a survey of 1,730 companies. U.S. Small Business Administration, Washington, D.C., 1990.*

*(WORK FORCE, from page 133)*

working with proprietary information, will he or she sign a confidentiality agreement? Look also for a firm that specializes in the discipline you're seeking. Its placement counselors should themselves have experience in that particular field in order to accurately gauge your needs.

Next, turn your attention to the quality of the firm's temporaries. The higher the company's selection standards, the better. The fact that a worker has been tested, for example, shouldn't necessarily reassure you. Job experience is more important. The firm should have checked previous jobs, references, and other credentials.

When it comes time to use a temporary, beware of the pitfalls. Aldus's Brown says she felt that temps placed an extra burden on her. "In a fairly long-term assignment you usually don't find out what a temporary can really do until a significant amount of time has elapsed," she says. "As a manager I'm taking more time to do stuff that I would delegate if I had a permanent worker."

And though temporaries are generally cheaper than regular employees, there can be hidden costs. Brown says overtime costs, which she wouldn't incur with a permanent employee, can add substantially to the bill. In a tight market, it's worth trying to negotiate a cheaper rate. *—E. E. S.*

### TEMP RATES

**Average hourly earnings for professional temporary workers vary from region to region. According to the Bureau of Labor Statistics, a seasoned accountant or auditor can expect $12.78 an hour in Boston but only $8.99 in San Diego. Engineers average $26.10 in Indianapolis, but expect $29.11 in Seattle. Computer programmers pull in $18.04 an hour in Houston, but in San Jose, Calif., it's $22.33.**

RESOURCES

## *Family-Business Forums*

**If you'd like to meet with other family-business owners, check out family-business forums, which tackle such practical matters as valuing a closely held business, and such emotionally charged issues as succession planning.**

**Membership in the forums is restricted to family businesses, and dues run about $1,000. But the cost of forums can vary. The Family Business Program at Oregon State University, for example, sponsors half-day workshops around the state for a fee of just $50. To locate a group near you, contact Craig Aronoff, director of the Family Business Forum, at Kennesaw State College, in Marietta, Ga., (404) 423-6045.**

*—Susan Greco*

PRODUCTIVITY

## *Turning Information into Profits*

"WE WERE MANAGING a $5-million company with systems fit for a $1-million one," says Clay Page of the market downturn his company, Co-op Building Consultants, in Corpus Christi, Tex., faced in 1989. So Page revamped the way his construction company tracks costs, schedules work, and trains employees.

The results? In just one year employees have become 40% more productive, with only a 6% rise in costs. And Page's business has increased by 10%. His strategy included

**1. Tracking costs in small units.** Page categorized construction tasks into 6,000 items (the average for his construction niche is 200), then entered them, along with the associated hourly cost for labor and materials, into a database. As a result he can calculate more accurate project estimates.

The company also provides employees with flowcharts diagramming the order of tasks and how long each should take. Employees note and report deviations from their flowchart estimates.

**2. Holding quarterly wrap-up meetings.** Page spends one day each quarter meeting with each of his six crews, sans supervisors, to discuss tasks that were 6% over or under budget. A supervisors' meeting, which Page does not attend, is also held. Beforehand, however, he does give supervisors a summary of his reactions to the past quarter's projects, including a list of problems to solve. Finally, at a 15-minute companywide meeting, information gleaned at each of the crew meetings is shared with everybody.

*(Continued on next page)*

*Clay Page's strategy boosted sales.*

CHART: ROSS CULBERT LAVERLY & RUSSMAN INC., NEW YORK; PHOTOGRAPH: STEVE PUMPHREY

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L481


## MANAGING PEOPLE

*(PRODUCTIVITY, from page 135)*

**3. Sharing rewards with employees.** Page pays employees hourly rates just below union rates and attaches a bonus to each project based on time and profitability targets. That usually brings his 36 employees' wages above the union rates. He also posts pay rates for different skills as an incentive for workers to build their expertise.

Employees have adapted to the new management system so well that Page has promoted from within for all supervisory positions. "This system isn't made for everyone," he says, "but it's perfect for the hard workers we want on our side." *—Teri Lammers*

## COMPENSATION

# *Raising the Bar for Bonuses*

BONUSES SHOULD BE WONderful things to give and receive, but the classic year-end bonus—the one you get for making your budget numbers—often fails to motivate.

That's why Art Spinner, a founding general partner of Hambro International Venture Fund, is gravitating toward more objective bonus systems. At Tylan General, a $35-million instrumentation company in San Diego, he and other members of the executive committee have set up a new plan: the top four officers of the company must achieve 75% of their budgeted plan to get a bonus. Beyond that, the executives will receive a straight percentage of pretax net income.

Tylan CEO David Ferran's bonus, for example, is 6% of his pretax net income. Previously, he could get no more than 25% of his base pay in a year-end bonus, if the board decided he'd done a good job. "Now the sky's the limit," he says. This new approach motivates managers to increase sales and cut costs. Says Ferran: "If we find a way to save $1 million, that's 60 grand in my pocket. You'd better believe I'm looking for ways to save money." *—E. E. S.*

# FINANCIAL STRATEGIES

*Kroy's Klemmer opted for a prepackaged bankruptcy.*

BANKRUPTCY

## *Speeding Up Chapter 11*

BACK IN AUGUST 1989, HOWARD KLEMMER took over the presidency of Kroy Inc., a troubled $40-million manufacturer of labeling systems based in Scottsdale, Ariz. Among other problems, Kroy couldn't meet the $6 million in annual interest charges that resulted from a leveraged buyout that had taken it private in 1986. Klemmer, a turnaround specialist, tried to work out an informal payment stretch-out but ran into a roadblock: the Department of Labor named Kroy in a $35-million lawsuit because of objections to the pricing of stock in the LBO. "When our secured lender foreclosed on our note, our only choice was to reorganize under the protection of bankruptcy court," Klemmer recalls.

Kroy's general counsel, Craig Hansen of Streich & Lang, suggested the company opt for a "prepackaged bankruptcy." Companies using this strategy resolve as much of their negotiations and paperwork as possible before filing for Chapter 11—and get through courtroom proceedings in a small fraction of the typical 9 to 12 months.

"I wanted the company to be able to restructure itself so quickly that we wouldn't alienate anyone—particularly our network of 500 distributors—who'd be of vital importance to our economic well-being in the future," says Klemmer.

Such bankruptcy plans can take two forms:

**1. A completely presolicited plan,** in which the company receives approval for its proposed workout plan from every class of creditors *(Continued on next page)*

OWNERSHIP TRANSFER

## *The Time-honored ESOP*

EMPLOYEE STOCK OWNership plans (ESOPs) continue to be a simple way to transfer ownership of private companies. They offer great tax advantages both to companies that use them and to banks that help finance them. When those breaks are combined with benefits from insurance policies, much of the cost of ESOP transactions can be offset.

Here's how the strategy works. The company owner sets up an ESOP in much the same way any benefits plan is established. Then the ESOP obtains bank financing to pay for the company stock the owner plans to sell to it. "Banks pay tax on only a portion of the interest paid to them by ESOPs, so they have an incentive to make these loans," says Richard Snipes, a benefits and insurance consultant at Barry, Evans, Josephs & Snipes Inc., in Charlotte, N.C.

The company, not its employees, then pays off the ESOP loan out of cash flow, by making contributions to the ESOP. That way, both the principal and the interest are tax deductible.

"The owner gets to sell off his stock at whatever annual pace appeals to him. There's no cost to the employees, who eventually get to take over the company. And for the company, the cost of the buyout is fully deductible," says Snipes.

There's only one big expense: the cost of buying out each employee, as is required by the IRS, upon the employee's departure. Normally, that's a burden the corporation has to bear, but Snipes suggests using company-owned life-insurance policies to provide the cash necessary when ESOP buyouts come due. "Companies can design policies so they will be financially cushioned, either through death benefits or by borrowing against the cash value that has accumulated in policies." —*J. A. F.*

## IN THIS SECTION

**SPEEDING UP CHAPTER 11**
*Want to get out of court fast? Try a prepackaged bankruptcy*

**THE TIME-HONORED ESOP**
*A cost-effective method to transfer ownership*

**MAXIMIZING DIVIDENDS AND DEDUCTIONS**
*How to use "dividend capture" to get better returns*

**RESOURCES: THE REWARDS OF 401(K)S**

**TAKING CONTROL OF T&E**
*Tips to cover yourself*

**Edited by Jill Andresky Fraser**

PHOTOGRAPH: KEVIN CRUFF

*(BANKRUPTCY, from page 139)*
before it even files for Chapter 11 bankruptcy protection.

**2. A plan in which many or all of the requisite documents and pleadings have been prepared in advance,** so that all that's left for the bankruptcy judge to do is to schedule meetings and plan the final financial settlement.

Of the two types of packaged bankruptcies, the first is the most effective, since there's nothing left to battle over by the time the bankruptcy plea is filed. But this type of settlement is possible only when the reorganization plan is simple and there aren't multiple layers of debt—and all major creditors are eager for an early resolution. Klemmer and Hansen didn't believe they stood a chance of negotiating with the Labor Department and the former shareholders, who were suing the company over the LBO's pricing.

So the men opted for plan two. Klemmer figured correctly that among his creditors his likeliest potential ally—one that was owed large sums, had a secured position, and stood to benefit the most from swift, even if partial, payments—was First Bank System, a Minneapolis bank that held nearly $27 million worth of Kroy's senior debt.

The planning stage lasted about one month, while Klemmer divided his time between conferences with his lawyers and communications with distributors, creditors, and employees. To monitor credibility among internal and external constituencies, he created a team of five key employees that communicated to all concerned what would happen during the bankruptcy proceedings, what bankruptcy would mean to each of them, and what Kroy's overall long-term goals were.

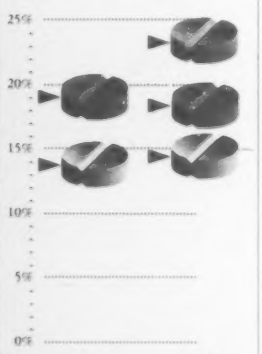
For Kroy, the packaged bankruptcy worked like clockwork. On May 15, 1990, the day of the filing, Kroy's lawyers were able to wheel into the local courthouse two pushcarts full of prepared legal documents, photocopies attached. The judge responded by quickly setting up a calendar for the entire bankruptcy process. On August 10 the plan of reorganization was confirmed, and three months later, on November 16, the company emerged from Chapter 11.

"Not one distributor abandoned us," Klemmer says. And since then, results look good: Kroy's operating margins are on target, at about 10% of the company's $36-million revenues.

*—J. A. F.*

### *The Rising Cost of Medical Care*

*Midsize companies did a better job this year than last year of controlling their medical costs, mainly because of a willingness to change the design of their health plans to obtain lower prices. Meanwhile, although the cost of self-insured plans rose this year, it increased less than it had on average in previous years.*




*Source: Survey of 57 companies, with an average of 1,000 employees, conducted by The Alexander Consulting Group, a national firm based in Lyndhurst, N.J., 1990.*

CASH MANAGEMENT

## *Maximizing Dividends and Deductions*

MANAGING A COMpany's working capital to achieve both safety and investment growth can be tricky. Ed Resch, president of $5-million Ohio Pipe, Valves & Fittings Inc., in Cleveland, keeps about half his working capital in a money-market account. Most of the rest is invested in a strategy known as "dividend capture," in which stocks are bought and sold according to elaborate schedules that maximize dividend payouts and tax deductions. "I wanted that money to be working for us

*(Continued on page 142)*

RESOURCES

## *The Rewards of 401(k)s*

**The annual maximum contribution for 401(k)s has been raised by 6.2%, to $8,475—the largest annual increase since 1987. Employers don't pay payroll taxes on their contributions, and employees pay no taxes on deferred income until retirement.**

**Employers who want to learn more about 401(k)s should consider "401(k) Plans—Cash or Deferred Arrangements," a free 13-page booklet from Coopers & Lybrand, ABC, 1800 M St. NW, Washington, DC 20036. Companies with 401(k) plans should consider "Risk Tolerance Quiz," a free 10-question test that helps employees decide how to invest their 401(k) savings, from IDS at (612) 339-6368.** *—J. A. F.*

TAX STRATEGIES

## *Taking Control of T&E*

TRAVEL AND ENTERtainment costs are likely targets during any IRS audit. To cure T&E tax troubles, James A. Firestone, executive vice-president at American Express, recommends—

• **Eliminating cash outlays.** Require employees to record on original charge receipts who they're entertaining and why, so you'll have extra documentation when credit-card issuers send you monthly receipt facsimiles.

• **Verifying T&E tax records against quarterly statements.** This should help the company pick up tax-deductible charges employees may have forgotten about, as well as incorrectly filed expense charges.

• **Requiring receipts for all expenses over $10.** Setting a receipt minimum lower than the $25 that is required by the IRS will beef up your company's documentation during tax audits.

*–J.A.F.*

CHART: ROSS CULBERT LAVERLY & RUSSMAN INC., NEW YORK; ILLUSTRATION: HAL MAYFORTH

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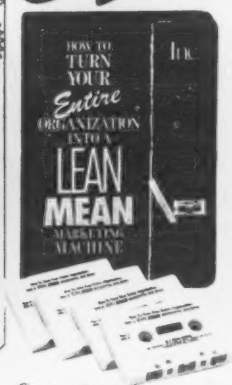


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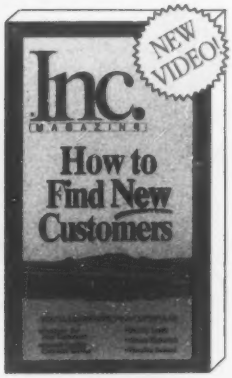


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## FINANCIAL STRATEGIES

*(CASH, from page 140)*
now, building up investment income that one day I'll be able to use to help pay for my construction costs," says Resch.

Dividend-capture strategies take advantage of the dividends-received-deduction, which allows a corporation that owns dividend-paying stock in another U.S. corporation for at least 46 calendar days to deduct 70% of every dividend dollar received. "This means that if a corporation with a 34% tax rate owns stock and is taxed only on 30% of its dividend earnings, it will wind up paying about 10¢ in taxes on every investment dollar earned," says Warren D. Nadel, whose Greenvale, N.Y., brokerage house specializes in dividend-capture strategies.

There are different ways to fine-tune a dividend-capture strategy. Nadel minimizes his clients' loss potential by investing in preferred stocks that are typically less volatile than common stocks, and by making use of Treasury Bond futures put options to protect against the effects of interest-rate fluctuations, which could have a negative effect on the value of the portfolio.

This idea of principal protection is appealing. Preferred stocks behave in the investment market much the way bonds do: when interest rates rise, preferred stocks decrease in value, and vice versa. So Nadel designs his hedge—the Treasury Bond futures put options—to become more valuable when preferred stocks become less valuable. In 1990 that strategy worked well: while the average yield on CDs was 5.31% after corporate taxes, Nadel's dividend-capture portfolios averaged 10.3% after taxes.

Some points to consider: Since any dividend-capture strategy is subject to various market fluctuations, companies must be prepared to invest these funds for at least 12 months. And this is a pricey strategy, since many brokers require minimum dividend-capture investments of $500,000 to $1 million.

*—J. A. F.*

# IN THE OFFICE

*Susan Bowen cut costs by shaving amenities.*

COST CUTTING

## *Budgeting for the Recession*

LIKE MANY BUSINESSES, CHAMPION AWARDS INC., A Memphis screen printer, took its growth for granted until the recession struck. The office staff took its amenities for granted, too—until the boss struck. "When you're fat and happy and don't pay attention," chief executive Susan Bowen discovered, "it's amazing what office people spend money on." The company's perks no longer include company perks. "If they want coffee, let *them* buy it," Bowen asserts. Further Champion Awards constraints:

- Memos, photocopies, and computer printouts must now be executed on paper whose flip side has been previously written or printed on.
- An office worker is not allowed to hoard more than a week's worth of supplies. After that decree was issued, enough surplus was returned to last a year.
- Purchase orders must be approved by the CEO, who turns few down, since there simply aren't as many as before. Scrutiny from above, Bowen found, curbs free spending.

Bowen isn't alone in her zealous recessionary reaction. Here's how others have budgeted for the recession:

John Katzman, president of Princeton Review Inc., a test-preparation service, reduced shipping charges by $400 a month after receiving a letter from Federal Express citing his business as one of its favored customers.

After a yearlong slump at LectroMagnetics, a Los Angeles manufacturer of radiation-shielding systems, president Richard Nichols ruled that *(Continued on next page)*

SERVICES

## *Movers, Not Shakers*

WHY WOULD A SMALL business seeking to move office computers select a transportation company whose expertise was honed by shuffling satellites for NASA? Because a carrier that can cradle the innards of earth orbiters does equally well with desk-bound PCs. So notes Kevin Cornwell, CEO of Three Way Corp., based in Sunnyvale, Calif., the country's foremost specialist in electronic-goods transport. All computers should be moved by experienced hands, he insists. And out of more than self-interest: moving a computer from the air-conditioned atmosphere of an office into the heat of summer (or from office heat to winter temperatures) can easily damage delicate parts.

As office machinery has become increasingly microcircuited, more and more movers have been proffering kid-glove treatment. Vans fitted with air-cushion suspension and temperature- and humidity-controlled interiors cost at least 40% more than the standard variety. But not only does the extra fee (Three Way tacks on 52¢ a mile) guarantee that your computers will light up when they're turned back on, it can save the day should the unexpected occur. What if, for instance, you can't get into your new facilities when the truck arrives? The trailer can be detached from its cab and, tapping its own source of fuel, can be kept operating as needed to protect sensitive equipment.

It may be worthwhile to call in a specialist for even a small computer collection. For example, Three Way's less-than-a-truckload policy (a truckload is 28,000 pounds) lets you move a mere 500 pounds. That adds up to about six desktop computers, a fax, and a copier. Plus a painting of the founder; considerations that pertain to fragile electronics hold also for moving fine art. ***—R. A. M.***

## IN THIS SECTION

**BUDGETING FOR THE RECESSION**
*To perk or not to perk*

**MOVERS, NOT SHAKERS**
*How to move the electronic office*

**RESOURCE: BUDGET CONSULTANTS—THE MALCOLM BALDRIGE AWARDS**

**INC. GOES SUPERSTORE SHOPPING**
*How office-supply chains measure up*

**A REALLY PERSONAL PC**
*GO Corp. promises computers in your pocket*

**Edited by Robert A. Mamis**

PHOTOGRAPH: DAVID SMART

*(COST CUTTING, from page 143)*

"nothing is untouchable in this company." Nothing was: he terminated half his 80-employee force. Nichols next slashed two company cars, three company car phones, and four company service-station credit cards. Other hits:

- Charitable contributions, pared "almost to zero."
- The company softball team: no jackets or hats for a year.
- The catered Christmas party changed to potluck.
- Several telephone lines disconnected at a savings of about $150 a month.

Not everyone sliced office comforts this time around. Cleveland's Original Copy Centers Inc. *increased* its employee perks. "If we had allowed the exterior economic environment to affect our internal environment, we would have had to cope with negativity on both fronts," rationalizes president Nancy Vetrone. Fresh perks include

- In-house massages.
- Two treadmills. Why a pair? So employees can build better relationships with coworkers even while exercising.
- A redecorating project. "Redoing surroundings can pick up spirits," Vetrone says. And it can be done economically: enthusiastic employees volunteered to paint their areas after work.

***—Researched by Teri Lammers***

RESOURCE

## *Budget Consultants*

THE MALCOLM BALDRIGE AWARDS

**Three of last year's Malcolm Baldrige National Quality Award winners were household names: Cadillac, IBM, and Federal Express. Wallace Co., the fourth, was a little less familiar. Houston-based Wallace had sales of $79 million, spent $1,050 on entry fees, and was chosen over thousands of other small-company entrants for setting new standards for service. "It's the best self-assessment tool," says Wallace executive vice-president Michael Spiess of the rigorous filing routine. "It makes you look at every aspect of your business."**

FOR A FREE copy of the *Application Guidelines*, call the National Institute of Standards and Technology at (301) 975-2036. Wallace Co. offers an abbreviated version of its successful application. Call Michael Spiess at (713) 672-5809.

**This year's 42-page *Application Guidelines* outlines seven broad components of a quality-management system, which are partitioned into 32 subcategories and then divided into 99 specific areas of**

*(Continued on page 146)*

SUPPLIES

## Inc. *Goes Superstore Shopping*

A MERCHANDISING CONcept barely five years old, giant office-supply chains are spreading across the country. They've already spawned so many stores, they're now muscling in on one another's turf, each claiming to beat the competition's prices to a pulp.

To determine if that's so and by how much, *Inc.* shopped the catalogs of 10 superstores plus 3 discount mail-order houses, selecting for comparison five identical items. The results are shown in the table below, with stores ranked in order of overall savings on goods. Some observations:

- Savings vary by region. An East Coast purchasing agent could pay 35% more for an item than his or her West Coast counterpart—and at the same chain!
- Delivery charges are quirky. Most retailers boast free or nearly free delivery; a few add freight charges. All three mail-order companies ship mostly for free.
- The suggested list price, which is referred to when items' discounts are promoted, differs considerably from chain to chain. Not that the figure means very much: even a local mom-and-pop is unlikely to charge full list price, if there really is such a thing.

***—R. A. M.***

HOW THE DISCOUNTERS MEASURE UP

| Retailer/location | Rolodex VIP 500-card tray RLP*: $18.25 | 3-M Post-It 3" x 3" pad RLP: $12.84/12 | Papermate black medium-point Flexgrip pen RLP: $13.08/12 | Texas Instruments calculator with two-color printer RLP: $85.00 | Avery copier labels 2,310 per box RLP: $42.73 | Shopping-basket total | Dollars off RLP of $171.90 | % of RLP (discount) |
|---|---|---|---|---|---|---|---|---|
| Office Club/L.A. | $ 9.49 | $5.69 | $5.19 | $39.99 | $27.99 | $88.35 | $83.55 | 48.6% |
| Office Club/Seattle | 10.99 | 5.59 | 5.19 | 39.99 | 27.99 | 89.75 | 82.15 | 47.8 |
| Staples/L.A. | 10.59 | 5.99 | 5.26 | 39.99 | 29.59 | 91.42 | 80.48 | 46.8 |
| Bizmart/St. Louis, Houston | 9.94 | 6.69 | 6.99 | 44.99 | 30.51 | 99.12 | 72.78 | 42.3 |
| Office Depot/Houston | 10.61 | 5.77 | 7.36 | 45.97 | 30.46 | 100.17 | 71.73 | 41.7 |
| Office Depot/Atlanta | 10.61 | 6.72 | 7.36 | 46.97 | 30.46 | 102.12 | 69.78 | 40.6 |
| Quill (mail order; 708-634-5708) | 11.88 | 6.99 | 6.68 | 49.88 | 27.99 | 103.42 | 68.48 | 39.8 |
| Staples/D.C. | 11.88 | 6.07 | 7.49 | 51.29 | 29.59 | 106.32 | 65.58 | 38.2 |
| Staples/Boston | 11.88 | 6.39 | 7.49 | 53.99 | 29.59 | 109.34 | 62.56 | 36.4 |
| OfficeMax/Milwaukee | 12.64 | 7.29 | 7.96 | 49.82 | 31.99 | 109.70 | 62.20 | 36.2 |
| Arvey Paper/Chicago | 14.49 | 7.08 | 8.52 | 58.99 | 34.18 | 123.26 | 48.64 | 28.3 |
| Reliable (mail order; 800-735-4000) | 14.75 | 9.99 | 9.96 | 59.96 | 38.96 | 133.62 | 38.28 | 22.3 |
| Viking (mail order; 800-421-1222) | 16.07 | 11.67 | 11.16 | 59.99 | 42.58 | 141.47 | 30.43 | 17.7 |

Note: prices taken from catalogs current as of March 1, 1991. ■ * RLP indicates a representative list price.

***—Researched by Susan Greco***

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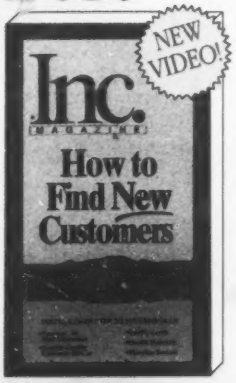


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# Inc.

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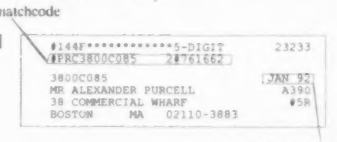


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## IN THE OFFICE

*(RESOURCE, from page 144)*

**evaluation. At least five reviewers study an entry and write an appraisal of each company's strengths and shortcomings. Win or lose, the observations constitute bargain consultation. "You get untold hours of professionals looking at your company, and then they send you honest, constructive feedback," Spiess marvels.**

***—Researched by S. G.***

**TECHNOLOGY**

## *A* Really *Personal PC*

SMALL, MOBILE, DISKLESS, and keyboardless computers that you write on with a magnetized pen will be in managerial shirt pockets by the end of 1994, promises developer GO Corp., of Foster City, Calif. Big deal; so will spiral-bound pads that you write on with a lead pencil, promises Eberhard Faber. But here's the difference: the electronic version reads your handwriting and, on command, transforms it into text and/or numbers. Then it processes the data just as any other computer does.

The user writes with a stylus on the face of the computer. Any traditional function—word processing, number crunching, graphics—can be integrated with any other, at any location on the screen. To add words or numbers to a document, you draw a caret and handwrite them in; to erase unwanted material, you simply *X* it out. GO claims a noncursive character-recognition accuracy of 95% to 98%.

The first commercial adaptation will likely measure 8½ inches by 11 inches by 1 inch, and will weigh four pounds. It will cost between $2,500 and $5,000. Robert Carr, a GO cofounder, anticipates it will be available by the end of this year.

Will the pen-based computer catch on as a productivity tool? Most likely, judging from the big players—IBM, Apple Computer, NCR, WordPerfect, Borland International, and Lotus Development, among others—who have already affiliated themselves with GO's platform.

***—R. A. M.***

# THE INC. NETWORK

**BAD REP**

*Andres Heuberger's company sells novelty watches through independent sales representatives. He offers the reps a 15% commission, but so far, their performance has disappointed him; he's fired 25 in six months (Taking a Licking, March). He wants to know what he's doing wrong.*

Mr. Heuberger is asking his reps to create instant sales, and that's usually impossible. Does he know what it takes to sell his product? What level of performance is a good beginning? Whether his product fits in with the rest of the line? He has to answer those questions with each rep.

It's premature to measure performance by monthly sales volume; instead, he should look at sales calls. If his reps are making calls, sales will follow—if his product has a legitimate market.

Richard Miles
President
Re:Launch
Berkeley, Calif.

Mr. Heuberger can't rely on reps alone. He needs a factory-trained sales manager who can travel with the sales reps, supervise them, train them, motivate them, and sell alongside them. Together, they make an unbeatable combination. But alone, an independent sales rep lacks the incentive and knowledge to make a product happen.

Ben M. Tenn
Executive Vice-President
Best Film & Video
Woodland Hills, Calif.

Most of the sales reps I know wouldn't walk across the street for a 15% commission. With the expense of setting up and the time spent at trade shows, most wouldn't consider anything less than 25%. Forty percent is more like it.

Louis Champeau
President
Vehicle Appraisers
Milford, Conn.

**LAW AND ORDERS**

*Customers love Mark Warda's copyright and trademark manuals. If only he had more customers. The advertising he's tried hasn't worked, and people hear of his books, he says, only by accident. Warda asked Network how he could make accidents happen (Under a Bushel, March).*

Our local patent-information clearinghouse displays ▶

## NEW QUERIES

*Our first letter comes from a reader who recently caught his partner embezzling company funds. The partner is gone now, but the reader's problems are just beginning. He's turned to Network for help in solving them. In Resources: how retirees can reenter the work force, and the benefits they bring to small businesses.*

**PICKING UP THE PIECES**

About a year ago my partner and I started a company that designs and installs electronic security systems. After a few months we incorporated. Recently, I learned that my partner was embezzling company funds. After I tracked him down, I submitted for a new incorporation under my name alone. I had to move quickly to reassure my clients, and I did. But now I've had time to assess more thoroughly what's left of the company, and I'm unsure of my next step. We're missing cash. We're missing inventory. And we're missing several clients who have signed contracts but who don't return my calls.

I need money to get us through the next six months to a year, until the legalities are completed and we're back on our feet. I'm looking for a venture capital partner or a private investor. But I don't know how to structure the deal. What is 15% of my company worth? Should I look for a onetime injection of cash or several small ones? One investor or several?

Name withheld

**DIAMOND MINE**

My company recently obtained marketing rights to supply precision diamond wheels used to cut the extremely hard materials used in the computer, communications, and high-tech ceramics industries. I need to establish a network of salespeople who know about that technology and its applications. Can anyone suggest how I might get in touch with such people? What trade publications should I advertise in to reach them?

Robert K. Nelson
President
Techno International
Minneapolis

**GOVERNMENT ISSUE**

As a government engineer I have invented high-tech devices that might be useful not only to the government but to industry. In accordance with a law passed in 1987, the government is applying for patents for my inventions, but I will retain patent rights for licenses sold to private industry. How do I determine a good price for such a license? The dollar savings a licensee might enjoy will vary from one industry to another. Also, some applications of the product will result in new capabilities for the licensee. How do I put a price on such intangibles?

Gregory C. Hildebrand
Rio Linda, Calif.

**THE TEMPERATURE'S RISING**

My company has obtained marketing rights for a computer-managed fertility monitor. I am wondering how we can market the product to OB/GYN doctors who treat infertility. It costs far more than the thermometers typically used, which are available in drugstores. Would leasing to doctors be an alternative to direct sales?

Earl Fredrickson
President
Western Medical
Technology Transfer
Edina, Minn.

copies of a West Coast publisher's patent and trademark books and recommends them to anyone who calls or visits. Talk about zeroing in on a market! Mr. Warda should contact similar offices in his area and ask them to do the same for him.

Pierce Buxton
President
The Better Ideas Company
San Francisco

I publish a magazine for doll makers, and I'm often asked about copyrighting designs. Mr. Warda should market his books through "The Crafts Report" (302-656-2209), a monthly newsletter for professional crafts people. He should also contact organizations of artists and designers. He could write articles for their newsletters, and he could speak about legal issues at seminars and conferences. Here are the names of a few of those organizations: Society of Craft Designers (404-252-2454); Graphic Artists Guild (212-463-7730); and Network, an association of fiber professionals (212-787-1968).

Gloria Winer
Publisher
*Let's Talk About Dollmaking*
Point Pleasant, N.J.

**IN SEARCH OF . . .**

*Back in December Leslie Homen asked for advice on selling a poster she's designed, from her home through the mail. Josh Berman suggested she subscribe to "National Home Business Reports," a quarterly newsletter published by Barbara Brabec. We published Berman's reply in March, but we didn't tell readers how to get in touch with Brabec. Here's that information: Barbara Brabec Productions, P.O. Box 2137, Naperville, IL 60567; (708) 717-0488.*

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***Please send your words of advice to The* Inc. *Network, 38 Commercial Wharf, Boston, MA 02110, or call our reader response line,* (800) 444-1756. *Or, fax your letters to* (617) 248-8090. *We'll publish the best responses and queries.***

## RESOURCES

**THE BEST YEARS OF OUR LIVES**

In 1985 I retired as director of sales with a housewares company, where I had worked for 20 years. Since then I have done volunteer work and I've loved it, but nothing replaces the excitement of business. I am 76 years old. I want to rejoin the business world—but how?

Kurt A. Baer
Beechhurst, N.Y.

*"Older workers are an important part of the mix; they're more experienced, they've gotten more bloody noses," says Ben Strohecker, chief executive of Harbor Sweets, in Salem, Mass. (See "Managing the New Work Force," January 1990.) He estimates that one-third of his 130 employees are of retirement age or older. "These people are a real resource," he says.*

*Help abounds for retirement-age people who want to work. And there's help, too, for managers like Strohecker who want those people to work for them.*

*Operation ABLE runs several programs tailored to those 40 or older, including the ABLE Institute, which helps place people in professional, managerial, and technical jobs, and for $150 offers a two-day job-search training program. After completing the program, clients may return to ABLE for weekly strategy and individual placement assistance. Similar programs in Chicago, Boston, New York City, Detroit, Little Rock, Los Angeles, and Lincoln, Nebr., receive about 12,000 job orders each year. Write Operation ABLE, 180 N. Wabash Ave., Suite 802, Chicago, IL 60601. Or call (312) 782-3335, or fax (312) 580-0348.*

*Forty Plus is a nonprofit membership organization that serves professionals and managers 40 or older who are changing careers. There are 16 independent offices across the country. The Washington, D.C., organization's program is typical. It charges members a $300 initiation fee and thereafter charges active members $25 each month. Its two-week training course includes instruction in résumé writing and interview techniques. Afterward, Forty Plus becomes the members' office, accessible seven days a week, 24 hours a day. Those who find jobs become lifetime members—and important network contacts for the organization. Forty Plus takes an active role in marketing members to the corporate sector, a service which is free to employers.*

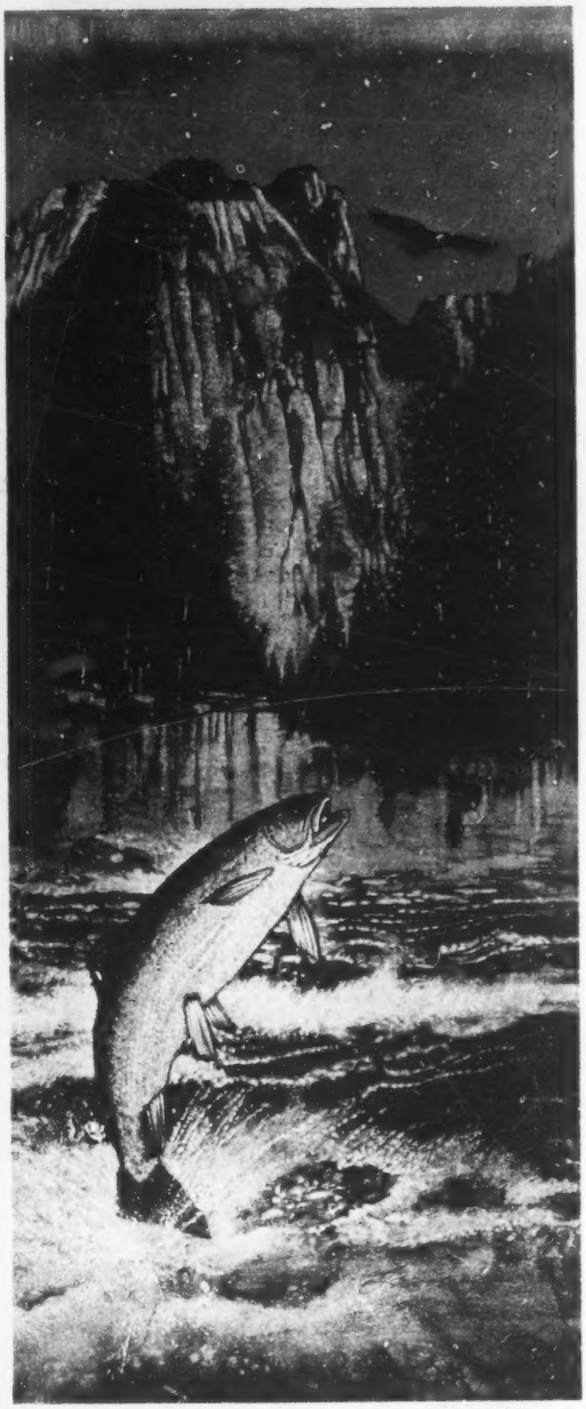
*The American Association of Retired Persons (AARP) sponsors a program similar to Forty Plus's workshops. AARP Works is offered at 70 sites across the country. Programs run several times a year for $35 each.*

*AARP also offers valuable services to companies that want to set up programs for older workers. For no fee, the National Older Workers Information System will put an interested company in touch with other companies that already have such programs. AARP also offers three free publications to help employers recruit, train, and manage older workers. Write to AARP, Worker Equity Program, 1909 K St. NW, Washington, DC 20049. Or call (202) 662-4958, or fax (202) 775-8373.*

*The Senior Career Planning & Placement Service (SCPPS) accepts résumés from professionals 50 and older, and places them in its database. When a client company requests candidates for a particular position, SCPPS researches its database and recommends a list of people who meet its needs. Write to Senior Career Planning & Placement Service, 257 Park Ave. S., New York, NY 10010-7304. Or call (212) 529-6660, or fax (212) 228-3958.*

*Tom Fitzpatrick, acting director of human resources for Merchandise Mart Properties, in Chicago, has hired six people through Operation ABLE, including his assistant, Muriel Foster. "Muriel has more than 20 years' experience in human resources—more experience than I do," says Fitzpatrick. "She makes everybody look really good."*

***—Michael P. Cronin***



## BUSINESS FOR SALE
# IDAHO UP-COUNTRY RANCH

**THE BUSINESS** An operating ranch located in hunting-and-fishing heaven: 105 private Idaho acres at the confluence of the Salmon River and Crooked Creek, surrounded by the biggest U.S. Wilderness Area in the lower 48 states. Guided expeditions (for deer, elk, steelhead) generate 70% of the ranch's revenues; the balance comes from guests who opt for horseback riding, river floating, or relaxing in rustic, cozy cabins. Depending on your activities, rates range from $125 a day to $3,000 for a week of big-game hunting.

**FINANCIAL SUMMARY**

| | 1988 | 1989 | 1990 |
|---|---|---|---|
| Revenues | $239,474 | $226,469 | $197,193 |
| Recast pretax profit | $57,946 | $42,256 | $9,848 |

**PRICE** $2.5 million

**OUTLOOK** Idaho's back-country outfitter and guide industry is growing 10% a year, but it's a tough way to make money; insiders say the typical pretax profit margin for these businesses is just 5%. Until last year, this seller had done better than that—hitting nets of 24% in 1988 and 19% in 1989—despite operating the ranch more as a private retreat for his family than as a business. He now claims good fortune has returned. The ranch is booked solid for 1991, and 1992 is already beginning to fill.

**PRICE RATIONALE** Pretty subjective. There aren't many such properties left in America, and for most paying guests the appeal of wild beauty is enhanced by good hunting—the five-year average success rate for hunters here is 80% for deer, 65% for elk. The seller suggests the purchase could constitute a real estate play, too; 70 of the ranch's acres could be subdivided, although it's hard to predict land values because some areas are difficult to access.

**PROS** Your very own private preserve: mountains, meadows, and the unspoiled Salmon, with no roads and no motorized vehicles allowed, and the nearest town 46 miles downriver. A business that, by the seller's own admission, has never been cultivated. Is there real potential?

**CONS** This place is remote—accessible only by light plane or jet boat—and expensive. As the 1990s wax, will big spenders wane? *—Alessandra Bianchi*

***Inc.* has no stake in the sale of the business featured.**

*The magazine cannot confirm the accuracy of financial or other information offered by the seller. Inquiries should be directed to Paul Resnick, 116 N. Robertson Blvd., Suite 603, Los Angeles, CA 90048.*

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